



PayMaster™ In-House Payroll from Computer Aid® Saves Money Over Payroll Services

Debbie Johnson, National Coney Island's payroll processor, says "Saving money is probably the best part of using *PayMaster*. When we used a payroll service, I was keying everything in myself and sending the data by modem. All the service did was print the checks and reports and charge us a lot of money. And as we grew, it really didn't make sense financially to stay with a service."

Save money

Most of the work associated with processing payroll is preparing the data for the computer — whether it's the computer belonging to your payroll service, or the computer sitting on your desk. Many of our customers switched to *PayMaster* from a payroll service because they realized that actually processing the payroll on the computer was the easy part.

Once you double-check your data (which you have to do whether a payroll service is processing payroll or you're doing it yourself), it's a simple matter of data entry. Instead of paying a payroll service to process the data and print the checks, you can do it yourself in a very short amount of time. And you save a lot of money in the process.

Save time

As well as saving money with *PayMaster*, you can double check the entries and printed reports **prior** to updating the files and printing the checks. What a time-

saver when compared to double-checking the payroll service reports, having the payroll service void a check and re-issue it, and then double-checking that! Not to mention the fact that when you're really in a time crunch, you can process payroll with *PayMaster* just minutes before you need to distribute the paychecks. You control your deadlines.

How much can you save?

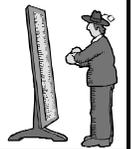
PayMaster will pay for itself in a very short time. Even very small companies can benefit. One of our smallest customers has an average of 36 paychecks every two weeks. That restaurant was given an estimate of \$75 a pay period from a payroll service. That's \$1,950 per year for a bi-weekly payroll. The restaurant's bookkeeper spends half an hour per pay period on the part that the payroll service offered to do. No matter what, the bookkeeper still has to do the preparatory work of double-checking the hours, tips, and receipts. At \$75 a pay period for half an hour's work, the payroll service was just too expensive. And, because payroll services charge per check, the more employees you have, the more you save if you process payroll in-house.

Call us today (703-281-7486) for a price quote for *PayMaster*, including AutoUpdate and Telephone Support. We think you'll be pleasantly surprised at the money you can save by doing payroll in-house. **GO**

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THE BLUE PAGES has a new look. We hope you like it.



Important Reminder For End of Quarter

Remember to process End of Month/Quarter at the end of each quarter so your new quarter figures will be accurate. It's a good idea, before processing End of Month/Quarter, to double check that you haven't already done so. From the menu, select Display/Payroll/QTD and/or MTD to see if it's already been re-set to zeros.

GO

Tips • Tips • Tips

Current score: Restaurants 3, IRS 3

The Ninth Circuit Court has held that the IRS cannot assess employer FICA (Social Security and Medicare) taxes based on an estimate of aggregate unreported tips.



Facts

Fior D'Italia operates a restaurant that employs waiters, table bussers, and bartenders whose earnings come in part from tips left by customers.

The company computes and pays its FICA taxes for each employee based on each employee's salary and tip reports. Each year, it files a Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips.

In 1994, the IRS sent Fior a Notice & Demand to pay its share of FICA taxes due on tips not reported by its employees for 1991 and 1992. The IRS computed the amount of Fior's share by using information on its form 8027. The IRS determined the percentage of tips on food that were charged on credit cards by dividing the total amount of tips charged by the total charges. It then estimated the total tips received by all employees by multiplying that percentage by Fior's total receipts. The tips actually reported to the IRS were subtracted from that amount to determine the estimate of unreported tips. That figure was then subjected to the employer's FICA tax rate of 7.65% to determine what Fior owed. The IRS did NOT attempt to identify the amount of unreported tips of each employee. Instead it used the formula for all Fior's employees in the aggregate.

Fior challenged the IRS's use of the aggregate method in district court.

Ruling

The court pointed out that for the IRS's aggregate method to precisely equal the tips on which the employer's FICA tax is calculated, the cash tipping rate must be exactly the same as the tipping rate on charge slips. Experience shows, however, that charge tips generally exceed cash tips.

Ninth Circuit Court agreed with the other three circuits that have ruled IRS may assess the employer using the aggregate method, even if it does not assess each individual employee. However, it held that it does not feel that the IRS can dispense with auditing the employees' records. The court argues there is no way to determine employer's FICA tax liability without making an employee-by-employee determination of the taxable tips each has earned, and therefore an aggregate assessment based on inaccurate estimates, as used by the IRS in this case, is not authorized in the Internal Revenue Code (IRC).

Very important

The Ninth Circuit Court noted the IRS does have the right to make assessments based on aggregate estimates provided it first produces a regulation to the effect.

What you can do

Write to your senators to support Senate bill S.276 (Stealth Tax Prevention Act) which would grant Congress the right to nullify the IRS rulings and regulations that in any way increase federal revenues.

Bill sponsor Senator Richard Shelby (R-AL) says that "IRS exceeds its authority in issuing rulings because they effectively raise taxes without congressional approval. Although the Constitution grants only Congress the right to levy taxes, IRS has found a "backdoor" way to increase our tax burden through the interpretation authority." **GO**

Past Issues of THE BLUE PAGES on the Web?

Yes, Computer Aid's web site will be accessible soon! We're going to start out simple and expand from there.



We would like to know what **you** would like to see on our web site.

Would it be helpful, for example, to have access to past issues of THE BLUE PAGES? Please email us at payrolls@ix.netcom.com and let us know what you'd like to see on the Computer Aid web site! **GO**

THE BLUE PAGES

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Tax Law Changes

Federal

Tax table changes

Federal withholding tax tables change, effective 7/1/01. Not a major change, but if you want to make those changes now, you can select INIT/TAX/FEDERAL. Select Filing Status Single, and enter the new numbers (from IRS Pub 15-T, Table 7, Annual Payroll Period). Repeat for Filing Status Married. If you'd like us to fax or email you a document showing the numbers to enter, please let us know.

2001 W-2 changes

Major changes are coming to the 2001 paper and mag media W-2 format. This means that **all** users of *PayMaster* must upgrade their software program in order to print the 2001 W-2s correctly. Users on AutoUpdate will automatically receive the program. If you're not on AutoUpdate, call now (703-281-7486) to sign up for AutoUpdate, or to get pricing information on upgrading.

Not all printing companies print the W-2s exactly the same. If the boxes on your paper copies are not lined up to match *PayMaster*, the paper W-2s will not print correctly. It's best to order your W-2s directly from Computer Aid to guarantee compability with *PayMaster*. (Our BLUE PAGES W-2 issue with the order form and prices will be distributed in August.)

What's different? From the informational copy on the IRS web site, it appears that the changes include the following:

- The form is an inch wider allowing more space in boxes b through f. (See the illustration on page 6 — still 8 1/2 x 11 paper, but the right margin is smaller.)
- The employee's first name and initial are in one box, the last name in a separate box, and the address in yet another box.

- The five checkboxes that were in Box 15 now number three and are in Box 13. The form no longer includes boxes for Deceased, Pension plan, Legal rep, or Deferred Compensation. The Statutory employee box remains. The other two are Retirement plan and Third-party sick pay.
- Old Box 13 information — the amount and the code, such as code "C" for the cost of group-term life insurance over \$50,000, or code "R" for employer contributions to your medical savings accounts (MSA) — will now go in a Box 12 sub-box (a, b, c, or d).

W-2s on the Web

Employee W-2s can now be posted on the Web if (1) the employer posts them before January 31 and maintains access to them through October 15, and (2) the employer notifies employees on or before 1/31/01.

State income tax

UT Employers with 250 or more 2001 W-2s must file mag media.

VA Employers with 250 or more 2001 W-2s must file mag media.

State unemployment

TX Change in paper format.

WY Change in quarterly unemployment and workers comp format. *PayMaster* option was added to do only workers comp, or unemployment, or both. *PayMaster's* establishment number field takes a multi-unit code in the establishment number.

State wage and hour law

One hundred businesses in Western Pennsylvania and West Virginia will be randomly selected for child labor investigations. The investigations may result in the assessment of penalties up to \$10,000 per violation.

GO

EFTPS Online

The IRS is conducting a pilot program for making federal tax deposits online. We tried it out and are happy to report it is very, very nice! The site is easy to navigate and user-friendly.



Once you log in, you see a bright red bar along the top offering choices: About EFTPS, Enrollment, Payments, Help &

Information, and Logout. Clicking on Payments gives you choices of: Make a payment, Check your payment history, or Cancel a payment.

Making a payment was easy: you select the tax form (941), tax type (federal tax deposit), payment amount, month of the ending quarter, year, and settlement date. Clicking on the Continue button brings up a screen where you enter the amounts for Social Security, Medicare and tax withholding. You'll then get a Payment Verification screen showing the detail. Clicking on the Make Payment button results in a Payment Acknowledgement with the detail displayed, along with your acknowledgement number. You can print this using the print button on your browser toolbar. Cool! Much nicer than the phone-in method.

They may still be accepting participants for the trial during July (call 1-800-555-8778 to sign up for the pilot) and are planning an August rollout to everyone. **GO**

Q&A

Q Help! When I try to print a report in *PayMaster*, I get an error message saying “This program has performed an illegal operation” and it says something about having trouble running MS-DOS programs. It was working fine before today, and the only thing I did was install a new version of the same anti-virus software I’ve been using for a long time.

A The Auto-Protect feature of the newest version of Norton Antivirus does not like *PayMaster*.

There are two ways to handle this (these examples are from a system running Norton SystemWorks, of which AntiVirus is one component):

1. Prior to running *PayMaster*, disable the Auto-Protect feature. Click the Norton icon on the Windows taskbar to display the group of icons. Right click the “Auto-Protect Enabled” icon, and select “Disable Auto-Protect.” Remember to turn Auto-Protect back on once you exit *PayMaster* (it may do so automatically the next time you reboot your computer).
2. Or you can simply tell it to ignore the *PayMaster* program and directory in Auto-Protect. Open Norton SystemWorks. From its menu, select Options, AntiVirus. Select Exclusions on the System menu. Click the New button. Enter the name of your *PayMaster* folder, followed by *.* (example: c:\prv7*.*). Put checkmarks on (exclude from) Virus detection and Write to program files. Click OK twice.

Q I was processing payroll using Interactive processing and had to stop halfway through. Can I pick up where I left off?

A Yes, you can. But, since you hadn’t completed the initial interactive entries and gotten to the “print pre-check register” prompt, do not pick up where you left off by going to RESUME. RESUME is to be used only after you’ve completed the initial batch entry or interactive entry. If you stop mid-way through the initial interactive entry, select CALCULATE/INTERACTIVE and you’ll be asked if you want to resume an interrupted run.

Q How can I make sure that an employee’s 401 (k) deduction of \$150 per pay period doesn’t put her over the deferred compensation percentage limit?

A The maximum per year, month or pay period has to be a **dollar amount** in *PayMaster*. To ensure you don’t go over the maximum **percentage**, it’s better to deduct a percentage for the 401(k) instead of a specific dollar amount. Make sure you have the maximum annual deduction correct for each employee: \$10,500.

Q I added a new employee but he doesn’t appear on the batch screen. What happened to him?

A If your computer locks up or you lose power while adding a new employee, *PayMaster*’s index gets confused. This happens if you select INIT/EMPLOYEE when you don’t mean to create a new employee, and choose to reboot the computer to escape from the screen. If this happens, simply reindex the data by selecting UTILITY/REINDEX from *PayMaster*’s main menu. (Instead of rebooting when you inadvertently select INIT/EMPLOYEE, escape from the new employee screen without saving by pressing ALT + D as noted at the bottom of that screen.)

Q I added a new employee but he never showed up to work. Is there any way to completely remove him from *PayMaster*?

A You have two options. Change his status to D. As long as there are no dollars in his YTD pay file, *PayMaster* will ignore him for reports. Careful though – if there *are* dollars in his YTD file, *PayMaster* will interpret the D as deceased and print a W-2.

Or, you can reuse the employee record by changing to a different employee ID code. If you select this option, you must reindex because you changed not just the employee ID code, but the social security number as well.

Q We’re being audited and they said something about uniform deductions. Is there anything illegal about deducting a uniform allowance?

A Uniform allowances are allowed as long as they don’t take the employee below minimum wage. If you deduct a uniform allowance from a tipped employee who is paid minimum wage after applying the tip credit your state allows, it is illegal. You cannot use additional tips to make up the difference.

The bad news is that if you are audited and found to be deducting a uniform allowance from minimum wage workers, you will probably be made to go back and recalculate two years of pay for minimum wage staff from whom you had deducted the cost of uniforms. (And hope that they haven’t moved in the meantime so you’ll be able to find them and pay them the difference.) You’ll also probably have a short deadline in which to comply with this order. **GO**

Throughout **THE BLUE PAGES**, there are references to payroll tax laws and requirements in effect as of the date specified. These references to the laws and the explanations provided are designed to familiarize the employer with said laws, but are not meant to serve either as a legal or accounting opinion, or as any indication that reference to the Internal Revenue Code or Regulations issued there under and appropriate administrative or court rulings interpreting same is unnecessary. All persons using this newsletter should look to and rely upon their respective legal counsel and accountants with respect to these laws and requirements.

Spotlight on National Coney Island

“Saving money is probably the best part of using PayMaster. Before, with a payroll service, I was keying everything in myself and sending the data by modem. All the service did was print the checks and reports and charge us a lot of money.”

*Debbie Johnson, Payroll Processor,
National Coney Island*

National Coney Island, owned by James Giftos and his son Tom, has been serving their award-winning Coney Island-style hot dogs since 1965.



Starting with one restaurant seating 50 people and offering a simple menu of coney dogs, coney hamburgers, french fries and soda, they've

expanded considerably since then, and now have 16 locations in the Detroit, Michigan area, ranging in size from 70 to 250 seats. Most locations are stand-alone buildings, each with a slightly different design. Some are open 24 hours, and several serve beer and wine.

The source of the famous chili for their coney dogs? ...the chili/coney sauce from their other company, the National Chili Company. Founded in 1927, the National Chili Company also supplies the sauce for many schools, hospitals, restaurants, convenience stores, supermarkets, caterers and, of course, ballparks and zoos. It is so popular that when customers move away from Michigan, they've been known to order the chili from as far away as Florida.

Dishing up all this chili and serving the hot dogs are over 1,000 employees. Processing payroll for all of them is Debbie Johnson, National Coney Island's payroll expert. She joined the company in 1989 when they had 5 or 6 locations and about 250 employees, and says, "We were using a payroll service at that time. They had a real hard time getting tips correct. When I called with a question, no one knew about tips. At the end of the year, they would figure out the tip allocation and prepare the W-2s. But the tip allocation would be wrong, and they'd have to redo it, and redo the W-2s. They never really understood what tip allocation is."

"Then we tried another service and didn't have any better luck. I was keying everything in myself and sending the data by modem. All the service did was print the checks and reports and charge us a lot of money. And as we grew, it really didn't make sense financially to stay with a service."

"In 1991, we asked our accountants to find us an in-house payroll program that worked for restaurants. They researched it and recommended PayMaster. We got the demo, tried it out, liked it, and did concurrent payrolls (PayMaster and the payroll service) in December of that year to make sure it was all set up and ready to go by the first of the year."

"Saving money is probably the best part of using PayMaster. And, I don't have to worry about tips. Year end is very easy. You're always in a time crunch, especially when you have to do 500 checks every week and run 2,000 W-2s. We run payroll for half the stores one week and the other half the next week. PayMaster makes it so easy to start the new year, then do the W-2s later."

"Everything works really well. We do mag media W-2s which goes

smoothly. We needed a special profit-sharing report. Kyle, Computer Aid's programmer, did a custom report for us using Microsoft Access and my PayMaster payroll data. The New Hire Report is so easy to get. All I have to do it put in two dates and I get the report I need. The Check History Report is a time-saver when I figure out vacations. And the general ledger report makes it so easy for me to do taxes."

"Right now, I'm keying the data into PayMaster's batch screen. But we're testing one store by having the employees clock into the Micros Ovation 3000 point of sale system. If that works well, we'll buy the interface from Computer Aid to export a file that can be brought into PayMaster's batch screen."

Debbie Johnson and her husband Bob

"We've been on AutoUpdate and telephone support from the beginning. AutoUpdate is great because you don't ever have to worry about anything. You've always got the program you need to do the W-2s and quarterly reports correctly. So I'm not concerned at all that the W-2 format is changing again this year."

"I don't use the telephone support very often, but when I do, it's for something that throws me for a loop and would take me a week to figure out myself. It's always handy to have it. THE BLUE PAGES newsletter helps a lot too, with the taxes and updates. I always look forward to getting it." **GO**

W-2s on the Web? Yes!

Would it make your life easier if you didn't have to print the employee copies of your W-2s, and instead could just direct your employees to a web site where they can access their W-2 (and only theirs) and print it themselves?

Is that the future? No, it's the present!

This is a service we're considering offering, and would like to know if our customers are interested. Do all or most of your employees have Internet access, either at home or through a library or school? Call Computer Aid today, or email us at payrolls@ix.netcom.com, to let us know if you are interested and think it would work for your company. Or

if you're interested but don't think it would work, please let us know the reasons why you don't think so. There may be ways around the stumbling blocks. **GO**

New Paper Format for 2001 W-2s

Not only is the mag media W-2 format changing this year, but the paper format changes as well. The first thing you'll notice from the illustration at the right is that the boxes on the left, as well as the W-2 form itself, are wider.

More importantly, some of the information now goes in different boxes. Please see the Tax Law Changes, page 3, for details on these changes.

new
W-2

old
W-2

GO

**W-2 forms
changing this year
Paper format & mag media!
Details inside**